

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeene G. Kelly.

Dominion Transmission, Inc.
Tennessee Gas Pipeline Company
National Fuel Gas Supply Corporation

Docket No. CP04-422-000

ORDER AMENDING CERTIFICATES

(Issued December 21, 2004)

1. On September 28, 2004, Dominion Transmission, Inc. (Dominion), Tennessee Gas Pipeline Company (Tennessee), and National Fuel Gas Supply Corporation (National Fuel) (collectively, the Applicants) filed an application pursuant to section 7 of the Natural Gas Act (NGA) seeking authorization to modify operations at their jointly-owned Ellisburg Storage Pool (Ellisburg) in Potter County, Pennsylvania. The proposed modification will reduce the existing authorized base gas and increase top gas by equal amounts. The proposed change in existing facility operations is in the public interest because it will permit the owners to provide additional storage service, and thus, use the facility more fully. Accordingly, we will approve the requested amendment to the Applicants' certificate authorizations.

Background and Proposal

2. Dominion, Tennessee, and National Fuel jointly own Ellisburg located in Potter County, Pennsylvania. Ellisburg was authorized as a storage reservoir by the Commission in 1963.¹ The current certificated capacity at Ellisburg is 98.43 Bcf, comprised of 52.53 Bcf top gas (or working gas) and 45.9 Bcf base gas (or cushion gas), 1,046 MMcf per day maximum deliverability, and 500 MMcf per day late season deliverability. Of this, Dominion and Tennessee each owns 39 percent of the capacity, or 20.487 Bcf of top gas capacity and 17.901 Bcf of base gas. National Fuel's share is 22 percent, which is comprised of 11.556 Bcf top gas capacity and 10.098 Bcf base gas.

¹ 29 FPC 119 (1963).

3. The Applicants state that improved operating practices have increased late season pool performance in terms of maximum deliverability from the 500 MMcf per day originally projected to 723 MMcf per day (based on 2002-2003 withdrawal season data). They propose here to reduce the certificated base gas volume by 3.0 Bcf, and to increase top gas capacity by a like amount. This action will result in an overall reduction of Ellisburg base gas volume to 42.9 Bcf and a corresponding increase in top gas volume to 55.53 Bcf. Total pool capacity would remain unchanged. Dominion and Tennessee will then each have 21.657 Bcf top gas capacity and 16.731 Bcf base gas (39 percent). National Fuel will have 12.216 Bcf top gas capacity and 9.438 Bcf base gas (22 percent). The Applicants state that this will result in an estimated late season maximum deliverability of 640 MMcf per day, an amount less than the current 723 MMcf a day, but 140 MMcf per day higher than the certificated 500 MMcf per day. As the delivery capability will still be higher than the certificated deliverability, the Applicants state that the proposal will not degrade service, nor result in any cost increase to their respective customers.

4. Dominion will attribute its share of the base gas from Ellisburg, 1.17 Bcf, to its Woodhull storage pool located in Potter and Tioga Counties, New York. Dominion will reduce the top gas capacity of the Woodhull facility by a like amount. Therefore, Dominion's aggregate storage capability will not be changed by these proposed modifications. There will likewise be no changes in Dominion's rates and services.

5. Tennessee and National Fuel each proposes to sell its share of the base gas and provide open-access storage services with its share of the incremental top gas capacity. The Applicants state that there will be no changes in the existing facilities and no capital investment is required to implement the proposed change in operations. Tennessee and National Fuel state that in a future rate proceeding they will file to reduce their respective rate bases to reflect the reduction in base gas, and to increase their design determinants to reflect their corresponding additions to top gas capacity.

Interventions

6. Notice of the application was published in the *Federal Register* on October 13, 2004 (69 Fed. Reg. 60,844). Timely unopposed motions to intervene were filed by several parties, and are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.² Atlanta Gas Light Company, Chattanooga Gas Company, and Virginia Natural Gas jointly filed a motion to intervene out-of-time. Their late motion

² 18 C.F.R. § 385.214 (2004).

demonstrates an interest in this proceeding and granting the motion will not delay, disrupt, or otherwise prejudice this proceeding. Thus, for good cause shown, we will grant the late-filed motion to intervene. All intervenors are listed in the appendix to this order.

7. Consolidated Edison Company of New York, Inc. (Con Edison) and Orange and Rockland Utilities, Inc. (O&R) request clarification in their jointly filed motion to intervene. Con Edison and O&R are concerned that approval of the application could degrade the services to existing customers because the reduction in base gas will likewise reduce the amount of gas that can be delivered from Ellisburg each day. This reduced level of deliverability, they state, would be accompanied by an increased volume of storage service. They request clarification on the impact of the proposal on the pipelines' storage and transmission customers.³

8. KeySpan Delivery Companies (KeySpan) filed comments with its intervention request. KeySpan does not oppose approval of the joint application. KeySpan does request the Commission to require that the Applicants hold KeySpan and other customers harmless in the event that National Fuel or Tennessee incur incremental base gas costs, add new facilities, or make other modifications necessary to restore the deliverability of the storage pool, if deliverability declines below the level projected by the Applicants when the base gas is reduced. KeySpan also requests the Commission to require Tennessee and National Fuel to disclose the book value of the base gas to be withdrawn. This information, they say, will enable the Commission and customers to determine whether the customers have been harmed in the event that Tennessee and National Fuel are required to make modifications in the future to restore the deliverability of the storage pool.

9. Commission staff requested the Applicants to provide additional information regarding the impact of the proposal on Dominion's system-wide deliverability, on the customers of Tennessee and National Fuel, and on peak deliverability and late-season withdrawal rates from the Ellisburg Storage Pool. In response, Dominion stated that it considers its firm storage services to be fully subscribed, and that approval of the requested change to increase top gas at the Ellisburg storage facilities will not affect its overall system deliverability in view of the corresponding reduction in top gas capacity at the Woodhull facility. Regarding their storage services at the Ellisburg pool, Tennessee and National Fuel acknowledge that the proposal will result in a reduction of the pool's currently projected late season maximum deliverability from 723 MMcf per day to 640 MMcf per day at the redefined base gas conditions. They state, however, that this level

³ Storage fields typically are used to provide balancing for transportation services in addition to contract storage services. Thus, the service degradation issue is not limited to storage service.

of deliverability still exceeds, by a wide margin, the certificated late season maximum deliverability of 500 MMcf per day. Thus, existing customers will not have their service requirements affected. The change in operations, they aver, will not affect the ability of Tennessee and National Fuel to provide their contract storage services to their existing customers.

Discussion

10. Because the Applicants propose modifications in the operations of facilities used for the transportation of natural gas in interstate commerce subject to the jurisdiction of the Commission, the proposal is subject to the requirements of section 7 of the NGA. We find that the proposal is warranted by the public convenience and necessity because reducing the amount of base gas in the storage pool and adding additional top gas capacity will allow more complete utilization of the facilities for open-access storage. The change in operations should have no adverse impact on existing customers.

11. KeySpan requests that the Commission find that KeySpan and other customers will not have to share in any increased costs that may be incurred in the future in the event that Tennessee and/or National Fuel are required to restore lost deliverability to the storage pool. KeySpan also requests that the Commission require Tennessee and National Fuel to disclose the book value of the base gas to be withdrawn to enable a determination whether there has been harm to customers in the event that Tennessee and National Fuel are required to make modifications in the future to restore the deliverability of the storage pool. The Commission's staff has evaluated the technical aspects of the proposal and concluded that modifying the operations at the Ellisburg Storage Pool by reducing the existing authorized base gas level by 3.0 Bcf and increasing working gas capacity by 3.0 Bcf is technically and operationally feasible. Therefore, the proposed changes should not have any negative impacts on the pool operations or on Applicants' ability to meet their service obligations.

12. We accept the staff's evaluation, and find that the proposal to reduce current base gas levels will not impact Applicants' ability to fulfill their storage customers' requirements. In fact, the resultant drop in late season deliverability to 640 MMcf per day will still greatly exceed the currently certificated level of 500 MMcf per day. This change will allow Applicants to provide additional services while still meeting their existing customers' contracted service levels. Accordingly, it would serve no purpose at this time to grant KeySpan's requests. If deliverability from the Ellisburg facilities declines in the future, the Commission can consider at that time whether the decline is related to the operational changes approved by this order. Further, if Tennessee and National Fuel incur expenses to restore deliverability resulting from any such decline and seek to recover those costs in a rate proceeding, KeySpan can address the issue in that forum.

13. No new facilities are proposed to be constructed as a result of the proposed changes in operations at the Ellisburg Storage Pool. Environmental review of the proposal under section 380.4 confirms that this action qualifies as being categorically excluded from the need to prepare an environmental assessment or an environmental impact statement under section 380.4(a)(27).

14. At a hearing held on December 21, 2004 the Commission on its own motion received and made part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorization sought herein, and upon consideration of the record,

The Commission orders:

(A) Amended certificate authorizations and permission and approval of the modified operations at the Ellisburg Storage Pool are granted to Dominion, Tennessee, and National Fuel to operate the facilities, as described more fully in the application and in the body of this order.

(B) Dominion, Tennessee, and National Fuel shall comply with all applicable Commission Regulations under the Natural Gas Act, particularly the conditions set forth in (a), (c), (e) and (f) of section 157.20 of the Commission's regulations.

(C) The motion to intervene out-of-time is granted.

By the Commission.

(S E A L)

Linda Mitry,
Deputy Secretary.

Appendix -- Interventions

Atlanta Gas Light Company

Atmos Energy Corporation

Chattanooga Gas Company

Consolidated Edison Company of New York, Inc.

East Ohio Gas Co. DBA Dominion East Ohio

Keyspan Delivery Companies

National Fuel Gas Distribution Corporation

Orange and Rockland Utilities, Inc.

Piedmont Natural Gas Company, Inc.

PSEG Energy Resources & Trade LLC

Virginia Natural Gas

Washington Gas Light Company